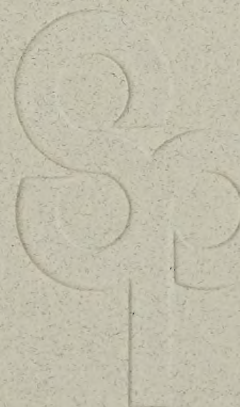


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Quarter

SUPERPACK CORPORATION LIMITED 1972 ANNUAL REPORT



SUPERPACK CORPORATION LIMITED

Officers

Irving Gould, *Chairman of the Board*
Vincent P. Paul, *President*
Guido Brina, *Vice-President*
Herman C. Vinnet, *Vice-President of Finance and Secretary*
Gerald Papernick, *Treasurer and Assistant Secretary*

Directors

Bruno J. Arnold, *Toronto, Ontario*
Guido Brina, *Monmouth Beach, New Jersey*
Irving Gould, *Nassau, Bahamas*
Vincent P. Paul, *Toronto, Ontario*
David M. Perlmutter, *Toronto, Ontario*

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Wm. Eisenberg & Co.

General Counsel

Levinter, Whitelaw, Dryden, Bliss and Hart

Head Office

254 Bartley Drive
Toronto 375, Ontario

Branch Offices

Montreal, *Canada*
Los Angeles, *California*
St. Louis, *Missouri*
Elizabeth, *New Jersey*
Jersey City, *New Jersey*
Nassau, *Bahamas*

ANNUAL REPORT 1972

Letter from the President

The fiscal year ended November 30, 1972 resulted in a 15.8% increase in sales over the preceding year. However, the earnings per share did not increase as had been indicated in the nine-month report. The results for the year were adversely affected by a sizeable loss incurred in the printing division located in the United States. Accordingly, the earnings before extraordinary items for the year, of \$162,376 or 28¢ per share, remained unchanged from those shown for the first nine months of the fiscal year. In addition, an extraordinary profit of \$21,825 or 4¢ per share is reflected on the income statement resulting from the revaluation of foreign currency.

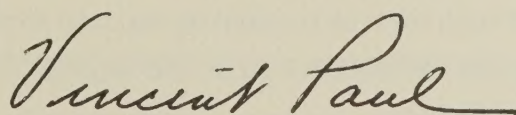
Nortex Products Company, the metal housewares division, has experienced an unprecedented increase in sales and profit in the 1972 fiscal year. Since the present manufacturing facilities are being fully utilized, the decision has been made to expand. A building is being constructed to our specifications wherein this division will be able to increase its manufacturing capacity by approximately 50%. The relocation of this operation will occur in July and August of 1973.

On February 19, 1973, an 80% equity interest in Gildon Metal Enterprises Limited, a company engaged in the manufacture of metal products and specializing in the metal spinning field, was purchased. We believe that this operation has considerable potential for increased sales and profitability in the very near future.

The shares of Scholarship Consultants of North America Limited which had been sold in April 1972, as previously reported, were subsequently resold by the purchaser in February of 1973 and pursuant to the original agreement between your company and the purchaser, your company received the net amount of \$197,340 as its share of the proceeds from this sale. These proceeds are included as extraordinary income on the enclosed first quarter interim report for the period ended February 28, 1973.

It is felt that with the expansion of Nortex Products Company and the acquisition of Gildon Metal Enterprises Limited the growth of the company will be maintained.

For the Board of Directors
VINCENT P. PAUL, President



Toronto, Canada, April 16, 1973.

Financial Summary

Five Year Combined Financial Summary in Canadian Funds

<i>Year Ended November 30</i>	1972	<i>1971</i>	<i>1970</i>	<i>1969</i>	<i>1968</i>
Gross Operating Revenues	\$10,772,412	\$9,306,356	\$9,234,319	\$9,768,573	\$9,983,908
Gross Earnings	900,553	1,035,563	978,887	1,342,962	1,427,600
Depreciation and Amortization	316,320	344,418	373,808	510,786	564,523
Interest	258,508	206,581	192,753	111,956	207,777
Income Taxes	163,349	249,861	224,261	367,941	336,969
Net Earnings from Consolidated Operations	162,376	234,703	188,065	352,279	318,331
Net Earnings (losses) from Non-Consolidated Operations	—	(243,650)	78,725	32,207	93,635
Net Earnings (loss) before Extraordinary Items	162,376	(8,947)	266,790	384,486	411,966
Extraordinary Items	21,825	(3,219,975)	(32,762)	68,538	200,203
Net Earnings (loss)	184,201	(3,228,922)	234,028	453,024	612,169
Earnings (loss) per share on:—					
Net Earnings from Consolidated Operations	0.28	0.41	0.33	0.64	0.63
Net Earnings (losses) from Non-Consolidated Operations	—	(0.42)	0.14	0.06	0.19
Net Earnings before Extraordinary Items	0.28	(0.01)	0.47	0.70	0.82
Extraordinary Items	0.04	(5.60)	(0.06)	0.12	0.40
Net Earnings	0.32	(5.61)	0.41	0.82	1.22
Funds provided by consolidated operations, per share	0.84	1.00	0.98	1.56	1.78
Average number of shares outstanding during year	572,570	575,133	574,722	550,625	502,025

Auditors' Report

TO THE SHAREHOLDERS OF
SUPERPACK CORPORATION LIMITED.

Gentlemen:

We have examined the consolidated balance sheet of Superpack Corporation Limited as at November 30, 1972, and the consolidated statements of earnings and deficit and source and use of funds for the year then ended. Our examination of the financial statements of Superpack Corporation Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of subsidiary companies.

In our opinion, subject to the outcome of the matter referred to in Note 10, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1972, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 5, 1973
Toronto, Canada.

WM. EISENBERG & CO.
Chartered Accountants.

Earnings and Deficit

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT FOR THE YEAR ENDED NOVEMBER 30, 1972 WITH 1971 COMPARISONS

EARNINGS	1972	1971
GROSS OPERATING REVENUES (note 6)	<u>\$10,772,412</u>	<u>\$9,306,356</u>
EARNINGS BEFORE PROVISION FOR THE UNDERNOTED ITEMS	<u>\$ 900,553</u>	<u>\$1,035,563</u>
Depreciation and amortization of fixed assets (note 2)	\$ 264,353	\$ 295,772
Amortization of intangible assets and deferred charges	51,967	48,646
Interest (including \$231,134 on long-term debt; 1971 — \$190,286)	258,508	206,581
	<u>\$ 574,828</u>	<u>\$ 550,999</u>
EARNINGS BEFORE INCOME TAXES, LOSSES FROM NON- CONSOLIDATED OPERATIONS AND EXTRAORDINARY ITEMS	<u>\$ 325,725</u>	<u>\$ 484,564</u>
INCOME TAXES — Current	\$ 160,671	\$ 265,234
— Deferred	2,678	(15,373)
	<u>\$ 163,349</u>	<u>\$ 249,861</u>
EARNINGS BEFORE LOSSES FROM NON-CONSOLIDATED OPERATIONS AND EXTRAORDINARY ITEMS	<u>\$ 162,376</u>	<u>\$ 234,703</u>
LOSSES FROM NON-CONSOLIDATED OPERATIONS	—	(243,650)
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>\$ 162,376</u>	<u>(\$ 8,947)</u>
EXTRAORDINARY ITEMS (note 7)	21,825	(3,219,975)
NET EARNINGS (LOSS) for the year	<u>\$ 184,201</u>	<u>(\$3,228,922)</u>
EARNINGS (LOSS) PER SHARE BEFORE EXTRAORDINARY ITEMS	<u>0.28</u>	<u>(0.01)</u>
EARNINGS (LOSS) PER SHARE	<u>0.32</u>	<u>(5.61)</u>
AVERAGE NUMBER OF SHARES OUTSTANDING	<u>572,570</u>	<u>575,133</u>

DEFICIT	1972	1971
BALANCE (DEFICIT), beginning of year	(\$ 1,445,736)	\$1,783,186
NET EARNINGS (LOSS) for the year	184,201	(3,228,922)
DEFICIT, end of year	<u>(\$ 1,261,535)</u>	<u>(\$1,445,736)</u>

See attached notes.

Balance Sheet

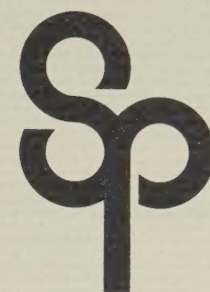
SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1972
 WITH 1971 COMPARISONS

ASSETS	1972	1971
CURRENT ASSETS		
Cash	\$ 30,248	\$ 93,801
Accounts receivable	1,771,239	1,259,714
Inventories — at the lower of cost or net realizable value	1,490,347	1,295,926
Income taxes recoverable (net)	5,284	—
Prepaid expenses and sundry assets	47,064	59,319
	<u>\$3,344,182</u>	<u>\$2,708,760</u>
INVESTMENTS		
Investment in non-consolidated subsidiaries	\$ —	\$ 140,500
Sundry — at cost (market \$720,391) (note 3)	740,391	22,395
	<u>\$ 740,391</u>	<u>\$ 162,895</u>
FIXED ASSETS (note 2)	<u>\$1,339,590</u>	<u>\$1,100,167</u>
OTHER ASSETS		
Patent rights and licensing agreements (less amortization)	\$ 537,285	\$ 582,285
Costs of organization and issue of capital stock and debentures (less amortization) (note 4)	18,849	5,248
	<u>\$ 556,134</u>	<u>\$ 587,533</u>
TOTAL ASSETS	<u><u>\$5,980,297</u></u>	<u><u>\$4,559,355</u></u>

Approved on behalf of the Board:

"V. P. PAUL" Director

"D. M. PERLMUTTER" Director



LIABILITIES	1972	1971
CURRENT LIABILITIES		
Bank indebtedness (<i>note 3</i>)	\$1,360,843	\$ 207,503
Accounts payable and accrued liabilities	1,237,926	854,414
Payroll deductions and sales taxes	126,298	77,449
Income taxes payable	—	164,844
Loan payable	—	60,000
Long-term debt due within one year (<i>note 4</i>)	532,990	411,817
	<u>\$3,258,057</u>	<u>\$1,776,027</u>
LONG-TERM DEBT (<i>note 4</i>)	<u>\$1,569,731</u>	<u>\$1,822,698</u>
DEFERRED INCOME TAXES	<u>\$ 9,954</u>	<u>\$ 7,276</u>
TOTAL LIABILITIES	<u>\$4,837,742</u>	<u>\$3,606,001</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (<i>note 5</i>)	\$2,404,090	\$2,399,090
DEFICIT	(1,261,535)	(1,445,736)
	<u>\$1,142,555</u>	<u>\$ 953,354</u>
	<u>\$5,980,297</u>	<u>\$4,559,355</u>

See attached notes.

Funds

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED NOVEMBER 30, 1972 WITH 1971 COMPARISONS

SOURCE OF FUNDS	1972	1971
Operations		
Net earnings (loss) for the year	\$ 184,201	(\$3,228,922)
Add (Deduct) charges (credits) not affecting working capital:		
Depreciation and amortization	316,320	352,943
Reduction of carrying value of investment in non-consolidated subsidiaries	—	1,800,202
Write-off of excess of cost of shares of consolidated subsidiaries over book value of tangible assets	—	1,397,385
Losses from operations of non-consolidated subsidiaries	—	303,650
Deferred income taxes	2,628	(15,373)
	<u>\$ 503,149</u>	<u>\$ 609,885</u>
Sale of investment in subsidiaries	140,500	—
Realization of sundry investments	2,004	1,595
Increase in long-term debt	338,550	86,786
Conversion of debentures to common shares	5,000	—
Disposal of fixed assets	20,825	—
	<u>\$1,010,028</u>	<u>\$ 698,266</u>

USE OF FUNDS	1972	1971
Repayment of long-term debt	\$ 470,344	\$ 366,733
Purchase of fixed assets	524,550	105,570
Acquisition of investments	720,000	—
Capital stock acquired by a consolidated subsidiary	—	44,700
Advances to non-consolidated subsidiaries	—	110,783
Acquisition of consolidated subsidiaries	—	127,425
Cost of extending debenture issue	20,569	—
	<u>\$1,735,463</u>	<u>\$ 755,211</u>
DECREASE IN WORKING CAPITAL		
(exclusive of long-term debt due within one year)	<u>\$ 725,435</u>	<u>\$ 56,945</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 1972

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its active wholly-owned subsidiaries. In 1972, two subsidiary companies were sold at book value.

Foreign currencies have been translated into Canadian dollars on the following bases:

Current assets and liabilities	— at the rate of exchange on November 30;
Other assets and liabilities	— at historical rates of exchange;
Income and expenses	— at average rates of exchange except for provision for depreciation and amortization which are translated on the same basis as the related assets.

2. FIXED ASSETS

	Cost	Accumulated depreciation	Net
Land	\$ 75,054	\$ —	\$ 75,054
Building and Improvements	262,589	34,340	228,249
Vending Units	1,171,666	1,085,650	86,016
Machinery, Equipment, Furniture and Fixtures	2,117,805	1,281,488	836,317
Vehicles	70,822	37,792	33,030
Leasehold Improvements	187,097	131,457	55,640
	<u>\$3,885,033</u>	<u>\$2,570,727</u>	<u>\$1,314,306</u>
Unamortized Cost of Tools and Dies			25,284
			<u>\$1,339,590</u>

Depreciation and amortization of fixed assets are provided for on the straight-line method which is based on their estimated useful life, except for the majority of vending units which are being depreciated on the sum of the years digit method.

3. BANK INDEBTEDNESS

Included in these liabilities is \$665,843, which is secured by assignments of accounts receivable and inventories. In addition, there is a demand bank loan of \$695,000 which was incurred to finance the purchase of 200,000 common shares representing a 19.99% interest in Corporate Properties Limited, and is secured by the 200,000 shares acquired. The repayment provisions for this loan are as follows:

• 1973	\$ 60,000
• 1974	360,000
• 1975	275,000

4. LONG-TERM DEBT

Long-term debt as at November 30, 1972 consists of the following: 9%, convertible debentures, secured by a floating charge on the assets of the company and its subsidiaries, and maturing March 31, 1977 (see details below) \$1,347,234

Note payable (U.S. \$360,000) secured by accounts receivable, inventories and certain equipment of a subsidiary at rates of interest adjusted to reflect variations in prime rate and payable in monthly principal instalments of \$30,000, together with interest, until maturity, November 1973. In addition, the shares of the subsidiary have been pledged to the lender as collateral security 357,300

6% mortgage payable (U.S. \$8,678) secured by real estate of a subsidiary and maturing July 1973 8,612

Notes payable (U.S. \$75,454) secured by certain equipment of a subsidiary and maturing 1974 74,801

Capitalized equipment leases (U.S. \$13,207), due in instalments to 1974 13,202

Contract obligation (U.S. \$37,818) to former officers of a subsidiary, payable in instalments to 1975, collateralized by investments held by the subsidiary 37,923

7½% note payable (U.S. \$266,176) collateralized by equipment, payable in monthly instalments of \$6,011 through 1977 263,649

\$2,102,721

Less: Amounts Due Within One Year 532,990

\$1,569,731

On March 13, 1972, a meeting of the debenture holders was held whereat the debenture holders passed an Extraordinary Resolution amending the principal indenture dated March 31, 1962. The resultant supplemental indenture provides, among other things, that:

- the debentures bear interest from March 31, 1972 at the rate of 9% per annum,
- the debentures are redeemable under certain conditions from time to time at the principal amount together with a premium of 1% to March 31, 1973, which premium reduces to nil in 1977,
- the company covenants to pay to the trustee amounts sufficient to retire out of sinking fund monies, aggregate principal amounts of the debentures as follows:

• March 31, 1973	—	\$ 50,000
• March 31, 1974	—	80,000
• March 31, 1975	—	150,000
• March 31, 1976	—	150,000

- the debentures mature on March 31, 1977,

Notes (CONT.)

(e) the debentures are convertible under certain conditions at the holder's option at the rate of one share per each of the following principal amounts:

• April 1, 1972 - March 31, 1973	—	\$10.00
• April 1, 1973 - March 31, 1974	—	11.00
• April 1, 1974 - March 31, 1975	—	12.00
• April 1, 1975 - March 31, 1976	—	13.00
• April 1, 1976 - March 31, 1977	—	14.00

The cost of altering the terms of the debenture issue is being amortized over a sixty month period on a straight-line basis.

5. CAPITAL STOCK

	Number of Shares	Amount
(a) Authorized		
50,000 6% Cumulative Preference Shares, Redeemable at \$20.50, Par Value \$20 Each		
1,000,000 Common Shares, Without Par Value Issued — Common Shares		
— Issued at December 1, 1971	577,787	\$2,443,790
— Conversion of \$5,000 Debentures to 500 Shares Issued at \$10 Each	500	5,000
	578,287	\$2,448,790
— Less: Shares Owned by Subsidiary	5,600	44,700
Issued at November 30, 1972	572,687	\$2,404,090

(b) Reservations of Common Shares

- (i) 138,123 shares are reserved for possible conversion of debentures (Note 4 (e)).
- (ii) On February 7, 1973, an employee of the company was granted an option to purchase 7,500 common shares at a price of \$3.50 per share. This option expires February 7, 1978.

6. SEGMENTED GROSS OPERATING REVENUES

Gross Operating Revenues for each of the major segments of the company were as follows:

	1972	1971
Packaging	\$ 5,648,029	\$5,773,527
Metal Housewares	4,091,131	3,532,829
Printing	1,033,252	—
	<u>\$10,772,412</u>	<u>\$9,306,356</u>

7. EXTRAORDINARY ITEM

This consists of a net profit resulting from the revaluation of foreign currencies.

8. 1971 COMPARATIVE FIGURES

The 1971 financial statements were reported on by other auditors and comparative figures have been reclassified, where necessary, to conform with the 1972 presentation.

9. LEASE COMMITMENTS

The company and its subsidiaries have contractual obligations to pay annual rentals of approximately \$313,000, plus in certain cases, taxes and other occupancy costs under leases which have varying expiry dates up to 1984.

10. CONTINGENT LIABILITY

In reviewing the company's income tax returns for the years 1967 to 1970 inclusive, the Department of National Revenue has indicated that it may attempt to tax in Canada, revenues earned by a foreign subsidiary.

Inasmuch as no reassessment has been issued by the Department of National Revenue, it is not possible at this time to determine whether any additional income taxes are payable. Accordingly, no provision has been made in the accounts of the company for any additional income tax liability.

11. SUBSEQUENT EVENTS

(a) On February 19, 1973, the company acquired all the preference shares and 80% of the issued common shares of Gildon Metal Enterprises Limited, a company engaged in the manufacture of metal products. The total purchase price was \$182,060, of which \$150,000 was paid at the time of closing and the balance is payable by a promissory note due in February 1974, bearing interest at the rate of 8% per annum.

(b) The company's investment in Scholarship Consultants of North America Limited was written down to a net realizable value of \$1.00 as at November 30, 1971. On April 3, 1972, the company assigned and transferred all of the shares of this subsidiary to a purchaser who covenanted that upon any future resale of any or all the shares, 50% of all proceeds realized on any such resale would be remitted to the company. In February 1973, the company received \$200,000 on the resale of these shares.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The remuneration of the directors and senior officers aggregated \$215,660 during the year.



SUPERPACK CORPORATION LIMITED

TORONTO, *Canada* • MONTREAL, *Canada* • LOS ANGELES, *California*
ST. LOUIS, *Missouri* • ELIZABETH, *New Jersey* • NASSAU, *Bahamas*

AR23

**SUPERPACK
CORPORATION
LIMITED**

254 BARTLEY DRIVE, TORONTO 16, ONTARIO

**WHOLLY OWNED SUBSIDIARIES
AND DIVISIONS**

SCIENTIFIC PACKAGING

CORPORATION Elizabeth, New Jersey

..... Lon Angeles, California

..... St. Louis, Missouri

COIN-OP SALES CORPORATION Elizabeth, New Jersey

NORTEX PRODUCTS COMPANY Toronto, Ontario

NORTEX OF CANADA LIMITED London, England

CANBAR DISTRIBUTORS LIMITED Montreal, Quebec

SUPERPACK VENDING (NASSAU) LIMITED Nassau, Bahamas

SUPERPACK VENDING (CURACAO) N.V. Nassau, Bahamas

DIRECTORS

G. BRINA I. GOULD H. W. MARACHE, JR.

V. P. PAUL D. M. PERLMUTTER

OFFICERS

I. GOULD Chairman of the Board

V. P. PAUL President

G. BRINA Vice-President

H. VINNET Vice-President of Finance and Secretary

G. PAPERICK Treasurer and Assistant Secretary

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA

AUDITORS

WM. EISENBERG & CO.

Corp report

**SUPERPACK
CORPORATION
LIMITED**

**INTERIM REPORT
FOR THE
SIX MONTHS ENDED
MAY 31, 1972**

UNAUDITED INTERIM RESULTS

(Subject to year-end adjustment)

EARNINGS

FOR THE SIX MONTHS ENDED
MAY 31, 1972 - MAY 31, 1971
(restated—
note 1)

GROSS OPERATING REVENUES	\$5,068,545	\$4,460,744
EARNINGS BEFORE PROVISIONS FOR THE UNDERNOTED ITEMS	\$ 491,486	\$ 481,066
DEPRECIATION AND AMORTIZATION OF FIXED ASSETS	130,589	149,950
AMORTIZATION OF INTANGIBLE ASSETS AND DEFERRED CHARGES	26,455	28,322
INTEREST (including interest of \$95,321 on long-term debt; 1971 — \$89,774)	111,090	97,495
PROVISION FOR INCOME TAXES — Current	110,250	116,050
— Deferred	—	(7,500)
NET EARNINGS FROM CONSOLIDATED OPERATIONS	\$ 113,102	\$ 96,749
NET LOSS FROM NON- CONSOLIDATED OPERATIONS	—	18,149
NET EARNINGS BEFORE EXTRAORDINARY ITEM	\$ 113,102	\$ 78,600
EXTRAORDINARY ITEM (revaluation of foreign currency)	—	11,220
NET EARNINGS	\$ 113,102	\$ 67,380
EARNINGS (LOSS) PER SHARE ON NET EARNINGS FROM CONSOLIDATED OPERATIONS	20¢	17¢
NET LOSS FROM NON- CONSOLIDATED OPERATIONS	—	(3¢)
NET EARNINGS BEFORE EXTRAORDINARY ITEM	20¢	14¢
EXTRAORDINARY ITEM	—	2¢
NET EARNINGS	20¢	12¢
AVERAGE NUMBER OF SHARES OUTSTANDING	572,187	577,787

SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED
MAY 31, 1972 - MAY 31, 1971
(restated—
note 1)

SOURCE OF FUNDS

OPERATIONS		
NET EARNINGS	\$ 113,102	\$ 67,380
ADD (DEDUCT) CHARGES (CREDITS) NOT AFFECTING WORKING CAPITAL		
DEPRECIATION AND AMORTIZATION	157,044	178,272
NET LOSS FROM OPERATIONS OF NON-CONSOLIDATED SUBSIDIARIES	—	18,149
DEFERRED INCOME TAXES	—	(7,500)
INCREASE IN LONG-TERM DEBT (Note 3)	1,361,198	—
REALIZATION OF SUNDRY INVESTMENTS AND SALE OF FIXED ASSETS	31,763	1,834
NET ADVANCES FROM NON- CONSOLIDATED SUBSIDIARY	—	8,660
Total Funds Provided	\$1,663,107	\$ 266,795

APPLICATION OF FUNDS

PURCHASE OF FIXED ASSETS	\$ 521,244	\$ 77,369
PURCHASE OF 200,000 SHARES — CORPORATE PROPERTIES LIMITED	720,000	—
REPAYMENT OF LONG-TERM DEBT	260,119	32,744
Total Funds Applied	\$1,501,363	\$ 110,113
INCREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	\$ 161,744	\$ 156,682

NOTE 1.

The statements for the six months ended May 31, 1971 have been restated to give effect to year-end adjustments and include all the wholly-owned subsidiaries except for two previously consolidated subsidiaries (Scholarship Consultants of North America Ltd. and Nortex of Canada Limited) the accounting for which, for the six months ended May 31, 1971, has been retroactively adjusted to an equity basis.

The investment in the two non-consolidated companies was written down at November 30, 1971 to estimated realizable value.

The operations of these two companies have not been consolidated in the six month period ended May 31, 1972. Scholarship Consultants of North America Ltd. was disposed of during the period and Nortex of Canada Limited is being sold at the adjusted November 30, 1971 net realizable value.

NOTE 2.

On May 30, 1972 the Shareholders approved an amendment to the Articles of Incorporation of the Corporation decreasing the issued capital of the Corporation from \$2,443,790 to \$829,995 resulting in the elimination of the deficit of the parent company without any repayment of capital. This results in the following change to the Shareholders' Equity section of the Consolidated Balance Sheet as at May 31, 1972.

	Before Change	After Change
Capital Stock	\$2,399,090	\$ 785,295
Retained Earnings (Deficit)	(\$1,332,634)	281,161
Total Shareholders' Equity	<u>\$1,066,456</u>	<u>\$1,066,456</u>

NOTE 3.

Included in "Increase in Long-Term Debt" is \$720,000 in short-term notes incurred for the purpose of acquiring 200,000 shares of Corporate Properties Limited. These short-term notes were subsequently paid, out of the proceeds of a five year term bank loan.

To the Shareholders

The six months ended May 31, 1972 reflected increases in both sales and net earnings from consolidated operations compared to the same period in 1971. Sales increased 13.6% to \$5,068,545 and net earnings increased 16.9% to \$113,102 (20¢ per share) exclusive of the non-consolidated subsidiaries as indicated in Note 1.

Nortex Products Company, the housewares manufacturing Division, has set new records in both sales and earnings and all indications are that the trend will continue for the second half of the year. The recent settlement of their union contract has assured a further two years of uninterrupted operations.

The two printing operations acquired by the Company's American subsidiary are progressing satisfactorily at the original projected levels.

As explained in Note 1, the operations of Nortex of Canada Limited have not been consolidated due to the pending sale of this subsidiary which should be consummated within the next thirty days.

Your reconstituted company, I believe, will be a sound base for future expansion.

VINCENT P. PAUL, President

July 17, 1972.